



The Snack Food Market in Brazil

September 1999

*(Également disponible en français sous le titre,
Le marché des aliments de collation au Brésil)*

Prepared by the
Market Research Centre
and the
Canadian Trade Commissioner Service

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THE SNACK FOOD MARKET IN BRAZIL



Team Canada Inc • Équipe Canada inc

EXECUTIVE SUMMARY

The Brazilian snack food market – worth \$2.2 billion¹ in 1998 – is growing steadily and has not yet reached its potential. Longer working hours, the increase in the number of working Brazilians snacking between meals, the continuing entrance of women into the workforce, and (until recently) a booming economy have been some of the most significant factors in the rise of consumption of snack foods.

Imports accounted for 3% (\$66.7 million) of the total snack food market in 1998. Importers have faced some troubles realizing a strong market presence for their products, largely as a result of stiff transportation costs and the rigours of the shipment process. While tariffs alone, although high, do not significantly increase the cost of imports, the additional costs of transportation can lead to prices that consumers are not willing to pay. As well, damages that may occur during shipping often deter consumers from buying imported snack food. However, the introduction of stronger product packaging that provides some protection against damage has proven very popular in Brazil, and also serves to differentiate imports from domestic varieties.

In order to avoid the high tariff rates and transportation costs associated with importing, several multinational companies have constructed processing plants either in Brazil or in neighbouring countries of the southern cone common market (MERCOSUR). Other companies have chosen to undertake joint ventures with Brazilian snack producers, which allows these companies to assure product quality and freshness, while avoiding added tariffs and transportation expenses. It should be noted, however, that some companies were recently forced to delay their plans to enter or expand in the market when the country's economic recession slowed growth in the sector, causing a decline in consumer-spending confidence.

Although retail and distribution improvements have made Western snacks widely available in what was once a small snack food market, Canadian snack food producers

¹ All currency amounts are in Canadian funds unless otherwise stated. The source for the currency conversion rates for the Canadian dollar, the Brazilian real, and the U.S. dollar are the average annual rates based on IDD Information Services, *Tradeline*, July 1999, and the United States Federal Reserve Bank of St. Louis, September 1999.

have had limited involvement to date in the Brazilian market. However, niche markets such as light/diet and private-label segments may provide good market penetration opportunities for snack food manufacturers investigating prospects in the growing Brazilian market.

For a closer examination of the market for biscuits, which are included in the aggregate totals of the snack food market in Brazil, exporters are referred to the Team Canada Market Research Centre report *The Biscuits Market in Brazil* (Faxlink #34939).

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THE SNACK FOOD MARKET IN BRAZIL



Team Canada Inc. - Équipe Canada Inc.

MARKET OVERVIEW

In 1998, the snack food market in Brazil was valued at \$2.2 billion, of which imports accounted for \$66.7 million. Potato chips, popcorn, and extruded snacks (i.e. cheese puffs and corn puffs) are the largest subsectors, accounting for almost 70% of the total market and also dominate the import market of the import market. Imports are particularly strong in niche markets that lack domestic competition, such as nuts.

The market has undergone many changes since 1990, when import barriers were eased and Brazilians were introduced to imported snack foods. Since that time, consumers have become more demanding of the products that they purchase, seeking quality snacks and healthier options.

The domestic snack food market is well established and continues to develop as multinational snack food manufacturers arrive to produce their products within Brazil's borders. For years, Brazil's traditional snacks, sold unpackaged by street vendors in the informal market, dominated the snack food industry. However, with the arrival of international snack foods, Western-style packaged snack foods have begun to replace more traditional Brazilian snacks, causing a shift in both consumer demand and overall market production toward packaged snack foods. While imported snacks or those manufactured locally by multinational manufacturers are perceived to be of higher quality than those produced by domestic manufacturers, the quality of domestically produced snacks continues to improve. Imports have thus far gained market share because of their wide selection and varied quantities and sizes, but will have to maintain their product diversity to differentiate them from the more affordable and now improving domestic brands.

Brazil is a diverse and fragmented market, and much of the snack market is regionally based due to the difficulties and costs associated with national distribution. The highly urbanized southeastern region of Brazil, encompassing São Paulo and Rio de Janeiro, consumes the largest volume of snack food, while Brazil's northern and interior regions are weaker markets because of the population's limited disposable income. Over 51% of processed food is sold in the southeastern region of the country, where income levels are more than double the national average.

In 1998, Brazilians consumed 1.5 kg of snack food per capita, an 85% increase over 1991 totals. During the same period, the savoury snack subsector experienced a 150% increase. On the whole, the snack food market experienced per capita expenditure growth rates of over 60%.

Table 1: Brazilian Snack Food Volume Sales, 1993-1997 (thousands of tonnes)

| Product | 1993 | 1994 | 1995 | 1996 | 1997 | % Growth 1993-1997 |
|------------------|--------------|--------------|--------------|--------------|--------------|-----------------------|
| Savoury biscuits | 167.2 | 200.2 | 253.7 | 301.0 | 366.3 | 119.1 |
| Extruded snacks | 24.5 | 30.8 | 58.7 | 78.6 | 95.2 | 288.6 |
| Potato chips | 18.2 | 22.9 | 44.4 | 63.7 | 78.1 | 329.1 |
| Nuts | 8.9 | 16.0 | 20.9 | 31.0 | 39.0 | 338.2 |
| TOTAL | 218.8 | 269.9 | 377.7 | 474.3 | 578.6 | 164.4 |

Source: Euromonitor/Emerging Markets, "Savoury Snacks in Latin America - Brazil," October 1998.

In 1997, biscuits accounted for 63% of volume sales, but only 39% of value sales. The large difference in percentages is largely the result of the low price of biscuits relative to other snacks. However, rising biscuit prices brought about by increasing product quality will result in declining percentages of volume sales in the biscuit subsector and a slower growth rate relative to other sectors.

The largest growth rate in recent years has been in the nut subsector, as a result of aggressive promotion and increased importing from Chile and the United States during the holiday season. Sales of nuts are limited, however, because low domestic production makes nuts the most expensive snack food in Brazil.

Volume sales of snack food are expected to continue to grow by 20% per year through 2000. This growth can be attributed to the developing retail industry, which now includes an increasing number of supermarkets, hypermarkets, and convenience stores. Supermarkets currently make up only 14% of total food outlets, but account for 80% of sales volume.

Key Factors Shaping Market Growth

Brazil is currently in an economic recession, following a period of growth that was brought about by the stabilization of the economy under the "Plan Real." Under this plan, introduced in 1994, Brazil saw the demise of hyperinflation and an increase in consumer purchasing power. Since that time, however, economic performance in Brazil has struggled. The Brazilian economy grew 3.7% in 1997, but slowed to just 0.5% in 1998, its smallest growth since 1992. On January 13, 1999, Brazil was forced to

devalue its currency and allow it to float on global markets. Following the devaluation, the *real* plunged, losing more than 35% of its value, a loss that threatened to significantly affect the country's economy, as well as the economies of its partners in Latin America and MERCOSUR (the southern cone common market, which includes Brazil, Argentina, Uruguay and Paraguay, with Bolivia and Chile as associate members).

These economic struggles demonstrate Brazil's efforts to defend the overvalued *real* against similar economic collapses in the developing economies of Asia and Russia in 1998. Brazil has been able to recover more quickly than other struggling economies because it does not rely heavily on imports. Interest rates have fallen for eight consecutive periods, from 49% to 22%, and inflation is under control at a rate of less than 8% per annum. Predictions are that Brazil's 1999 economy will shrink by 1.5%.

Sales of snack foods – considered to be supplemental purchases – typically fluctuate with the level of disposable income consumers enjoy. The economic recession has lowered consumer purchasing power and confidence in the economy, thus limiting snack food sales. However, as the economy strengthens and consumer confidence returns, sales of packaged snack foods are expected to increase, as they did before the recession.

The growth in the popularity of gas station retailers, vending machines, convenience stores, and large-scale supermarkets, each of which carries snack food products, has also helped in the growth of the snack food market. With the proliferation of retail locations and snack food selection, the availability and appeal of snacks for many Brazilians have subsequently increased.

Another factor in the growth of the snack food market is the fact that Brazilians in major centres, particularly younger people, are working longer hours. In addition, those who live outside the major centres because of growing urban congestion are commuting longer distances to work. As a result, it is no longer the norm for Brazilians to eat large meals during long lunch breaks taken at home. Instead, working Brazilians are consuming more pre-prepared and fast food meals and eating snacks between (or instead of) meals.

Women, who have been traditionally in charge of preparing household meals, are increasingly assuming full-time jobs outside the home. In 1995, 36% of the total female population was in the workforce and made up 40% of the total workforce. In addition, the costs of domestic workers (who would undertake meal preparation duties) have increased dramatically in recent years, making them no longer affordable to many middle-class families. The lack of time and help to prepare meals has led many working women to turn to foods requiring little or no preparation time, including snack foods.

The opening of Brazilian markets to imported foods has also resulted in a great increase in competition, which has led to a decrease in the prices of snack foods. Lower prices have made snacks more affordable to a greater percentage of the population (at least before the recession). The exception has been in the biscuits sub-sector, where competition focussing on product quality has pushed prices higher.

Opportunities

Brazilians have traditionally had a high-fat, high-calorie diet; however, health issues have recently been popularized and diets subsequently altered. As a result, the Brazilian food market is experiencing the early stages of a growing health movement. According to a 1996 report from the Instituto Brasileiro de Geografia e Estatística, rising rates of Brazilian consumption of fast foods and snacks are largely responsible for a growing percentage of the population becoming overweight. The report recommended that consumers decrease consumption of these products. This growing concern for healthier food options is opening up growth potential of low-fat or baked snacks. The fact that there has been little domestic product development of healthier options is creating a promising niche market for Canadian exporters.

The high cost of domestic snack food and the relatively high cost of imports have pushed supermarkets to develop private label segments in order to lower retail prices. Providing private label products for the growing supermarket and hypermarket industry could thus provide a means of entry into the Brazilian market. Opportunities also exist in the luxury or gourmet snack-food subsectors.

Actual and Planned Projects

The *real* devaluation in early January 1999 affected planned plant and product line expansions of several companies. For example, the Brazilian Cooperalfa food cooperative postponed its planned February 1999 launch of its Alfa potato chips due to a 15% price increase demanded by its supplier. Cooperalfa also raised prices of several of its products already on the market by up to 20%. It is expected that with the stabilization of the economy, companies will recommence plans that they put on hold due to the economic recession.

COMPETITIVE ENVIRONMENT

Local Capabilities

Domestic products dominate the Brazilian snack food market. Elma Chips, owned by Frito Lay (PepsiCo Foods), is the largest domestic producer. The company controls 60% of the chip market and has a presence in over 300 000 points of sale, the majority being small bars, vending machines, schools (30% of the company's sales) and supermarkets (15% of its sales). In 1998, Elma Chips sold \$1 billion worth of chips in Brazil, and projects sales of \$1.4 billion for 2000, with an estimated presence in over 700 000 points of sale. Some of the company's major brand names are "Ruffles," "Doritos," "Cheetos," "Fandangos," "Baconzito," and "Pingo d'ouro".

Smaller domestic firms are beginning to gain market share with the aid of modern production methods and new products. For example, the Fritex brand, from the company Fritex Industria Alimenticia Lisboense, controls 7% of the market.

International Competition

Internationally recognized brand names are popular in Brazil, but many foreign companies have made minor adjustments to their products to better suit the Brazilian market.

Producers from the United States, such as Procter and Gamble, dominate the import segment of the market. Procter and Gamble's "Pringles" brand name accounts for more than one third of all imports and has approximately a 10% share of the total snack food market.

The fact that Brazilian snack food producers charge premium prices for their goods allows imports to compete, despite tariff restrictions. In addition, multinational corporations have begun to set up production facilities in Brazil to better compete for market share. The niche subsectors in particular, such as pretzels and microwave popcorn, have a host of foreign suppliers vying for market share.

A number of products, including pretzels and microwave popcorn, are relatively new to Brazilian consumers. Both products lack domestic producers and are experiencing substantial growth in sales. Sweet snacks are not common, and there is no local production. There has been a tentative attempt to introduce apple and banana snacks, but the taste has not proven to be quite suited to the Brazilian market, and distribution is therefore limited.

Canadian Position

Canadian snack food products have only recently been introduced to the Brazilian market. Canada's limited presence can be attributed to the combination of U.S. domination of the import market, high tariffs and restrictive trade barriers. Exporters wishing to gain entry in the market are advised to focus on the premium, specialty, or niche markets, such as light/diet and private-label products. For direct exports, Canadian producers are unlikely to be able to compete initially in the low-price sector, dominated as it is by multinationals and locals battling for market share.

The fact that small and medium-sized companies (fewer than 500 employees) are responsible for over 80% of Brazil's processed food production means that there are opportunities for joint ventures. The combination of Brazilian companies' contacts and market familiarity, and foreign companies' production knowledge can prove beneficial to both partners. Forming such partnerships will help Canadian exporters to avoid the high tariff rates and will make their products more price competitive.

Canadians hoping to compete in this sector are advised to move quickly in order to secure a share of the market. Competition is growing, and the technological production advantage enjoyed by foreign suppliers is disappearing quickly.

Competitive Advantage through Canadian Government Policies and Initiatives

The Export Development Corporation (EDC) offers a full range of trade finance services that helps Canadian Exporters and Investors do business in foreign jurisdictions, including higher risk and emerging markets. Founded in 1944, EDC is a Federal Crown Corporation that operates as a commercial financial institution. Principal services are Account Receivable Insurance, Political Risk Insurance, Bonding for International Transactions and the Financing of International Transactions. For more information, please call the EDC at 1-888-332-3320.

The Canadian Commercial Corporation (CCC) also offers small and medium-sized Canadian companies access to financing and better payment terms under the Progress Payment Program (PPP). The PPP concept was developed as a partnership between major Canadian financial institutions and the CCC. It enables the exporter's bank to open a project line of credit for the exporter's benefit, based on CCC approval of the project and the exporter's ability to perform. For more information, please contact the CCC.

The Program for Export Market Development (PEMD) is the government's primary international business development program. The objective of PEMD is to increase export sales of Canadian goods and services by sharing the costs of activities that

companies normally could not or would not undertake alone, thereby reducing risks involved in entering a foreign market. The PEMD refundable contribution is a minimum of \$5 000 and a maximum of \$50 000. Preference is given to companies with annual sales greater than \$250 000 and less than \$10 million, or with less than 100 employees for a firm in the manufacturing sector and 50 in the service industry. Eligible activities, the costs of which are shared on a 50/50 basis, include market visits, trade fairs, incoming buyers, product testing for market certification, legal fees for marketing agreements abroad, transportation costs of off-shore company trainees, product demonstration costs, promotional materials, and other costs necessary to execute the market development plan (Other components of the program deal with international bid preparation under Capital Project Bidding, and with Trade Associations when developing international marketing activities for their membership). For additional information, or to receive an application, please contact the International Trade Centre in your province.

WIN Exports, a database of Canadian exporters and their capabilities, is used by trade commissioners around the world and by Team Canada partners in Canada to match Canadian suppliers to foreign business leads, and to share information on trade events. Exporters are therefore encouraged to register their businesses with WIN Exports. For more information, please visit www.infoexport.gc.ca/section2/winexp2-e.asp.

MARKET LOGISTICS

Channels of Distribution

The distribution system in Brazil for snack food is well established. Until recently, traditional small markets and local stores dominated the industry, but the introduction of North American-style convenience stores, supermarkets, and hypermarkets has had a positive effect on the size and value of snack food industry. Growth is expected to continue.

Most imports arrive at the ports of Santos and Rio de Janeiro before being transported overland to various destinations throughout the country. Generally, freight costs associated with distributing goods in this manner raise the cost of imported foods, making them more expensive in the northern than in southern or central regions. As the northeast food market continues to develop, and as regional ports become privatized and modernized, it will become more economically viable to ship directly to the northeast ports of Salvador, Recife, or Fortaleza, rather than to truck the products overland from southern ports for 2 000 to 4 000 kilometres.

Direct Sales

Direct sales to the end user are rare, though opportunities are increasing. Food manufacturers, supermarkets, and large food retailers are increasingly buying directly from foreign suppliers, though it amounts to a small portion of total imports. The most popular items to be imported directly are those selling in high volumes, and with high turn over. An agent to aid in coordinating direct sales can be invaluable to establishing a successful import contract.

Agents and Sales Representatives

Since for years the Brazilian market was closed to foreign competition, hiring a local agent/importer is critical to an exporter's success. The knowledge accumulated by agents during the years before the market was opened to imports can prove invaluable to newly exporting suppliers, saving both time and money for the supplying companies. The local agent or agents should be able to import the product, deal with regulatory agencies, handle local sales and distribution, and handle product promotion. Because of Brazil's geographic size, exporters may find it necessary to employ more than one agent to ensure national distribution.

Exporters are advised to choose an agent with the utmost care and to ensure that the agent is registered with local authorities before signing an agreement. Before selecting an agent, exporters are recommended to verify the agent's reputation by contacting the Consulate in São Paulo. In addition, the Consulate can provide a list of companies that are capable of performing credit checks and can advise on details such as sales volume, employees, and recommendations for credit limits.

Once an agreement has been signed, a Brazilian agent is protected by law from unilateral termination of the contract without just cause. "Just cause" is limited to negligence of the agent, breach of the contract, acts by the agent that are damaging to the foreign principal, or conviction of the agent for a serious criminal offence.

Retail Distributors

Brazil's retail sector is currently undergoing changes that should aid in the distribution of snack foods. The development of supermarkets and hypermarkets has enabled the expansion and diversification of imported processed food product lines. These stores are introducing both one-stop shopping and a new line of convenience foods. In 1997, supermarkets and hypermarkets accounted for 37% of savoury snack sales. Moreover, traditional markets and local stores are beginning to expand the product lines and kinds of food they carry. These are distribution channels with excellent potential for growth.

In the past two years, the Brazilian supermarket sector has experienced massive consolidation. In 1997 and 1998, three of Brazil's top five supermarket chains – the French-owned Carrefour and the locally owned Pao de Acucar and Bompreco – made a number of acquisitions in order to expand their markets in specific regions. Carrefour and Pao de Acucar added to their market leadership in São Paulo state, while Bompreco solidified its role as the market leader in the northeast. Jeronimo Martins and Sonae, Portugal's leading supermarket chains, and Wal-Mart Brasil also made significant purchases in late 1997. ABRAS, Brazil's association of supermarkets, estimates that within the next five years, Brazil's five largest chains will hold 40 to 45% market share. Overall, supermarkets and hypermarkets currently account for 75% of retail sector food sales. As the Brazilian retail sector continues with supermarket expansion and as the variety of products offered increases, opportunities for import growth will develop. With the diversification of consumer tastes, there will be a demand for both higher-quality foods, and a greater selection of international food options.

Market Entry Considerations

Promotion: Since there is little brand awareness of Canadian products in Brazil, it is important for exporters to undertake promotional and marketing activities. Marketing efforts should focus on quality, since the products will be more expensive than locally produced goods as a result of the various tariffs and fees applied to imported goods from non-MERCOSUR countries. In focussing on quality, Canadian exporters have a natural advantage, since Brazilians generally consider Canadian products to be of high quality. Quality, not just price, is increasingly becoming an important factor in consumer purchase decisions.

Processed food in Brazil is advertised through a variety of media types, the most popular of which is television. The Brazilian television industry, with 112 stations, is highly developed. Radio, magazines and newspapers are other advertising media employed. Many companies – such as PepsiCo's Elma Chips – appeal to Brazilian consumers by using celebrity testimonials to aid in marketing the product.

The increasing competition expected as a result of growth in the supermarket and hypermarket sectors will necessitate strong in-store promotional strategies. In addition, competitive pricing is a must for products aimed at the price-conscious general consumer. If a product must be priced higher, promotional material should stress its superior quality in order to address consumers' price concerns.

Exporters should be aware that some supermarkets display imported products in a separate part of the store. This type of product segregation should be avoided if possible, since import sections tend to have a lower volume of consumer traffic.

Transportation and storage: Fully 90% of the cargo shipped within Brazil is transported via the country's 1.6 million km of roadways. Rail transportation is not as well developed and is typically used only for grains or manufactured goods such as cars.

The most common method of transport into Brazil is via ship. In fact, ports handle approximately 98% of all trade. Brazil has one thousand ports, of which 39 are ocean ports, which can handle ships up to 100 000 tonnes. The two most important ports are in southern Brazil, in Santos and Rio de Janeiro, and they have extensive facilities, such as bonded and/or refrigerated warehouses.

In addition to the ocean ports, Brazil has numerous river ports and approximately 50 000 km of navigable inland water ways.

Suggested Business Practices

When establishing contacts in Brazil, exporters are advised to arrange for an introduction by a respected third party, rather than attempting to make contact on their own. Canadian Trade Commissioners can assist in arranging this type of introduction.

Brazilians are not receptive to the often-aggressive North American attitude toward conducting business. Exporters are encouraged to visit the country to foster trust through personal contact and to demonstrate long-term commitment to the business relationship. Since personal relationships are important to Brazilians, exporters are advised to keep the members of the negotiating teams consistent in order to avoid undermining progress that has been made. Exporters should be prepared to discuss all aspects of the contract simultaneously rather than sequentially. It is also advisable for exporters to arrange to have a local accountant and a notary or lawyer present during negotiations to advise on contractual issues, since Brazilians tend to be unreceptive to an outside legal presence. Fostering the business relationship through visits and personal contact is just as important following the successful close of a deal as it is during negotiations.

Import Regulations

Imports to Brazil face duties ranging from 0% to 40%, with the average tariff under the CET being 17%. Several other taxes and fees are also levied against imports, as shown in Table 2.

Table 2. Taxes and Fees Levied on Imports

| | |
|-------------------------------|---|
| • Syndicate Fee | -- 2.2% of c.i.f. value |
| • Brokerage Fee | -- 1% of c.i.f. value |
| • Warehouse Tax | -- 1% of import duty |
| • Fee for handling charges | -- between \$28-\$140, but varies |
| • Administrative Commission | -- fixed at \$140 |
| • Import Licence Fee | -- approximately \$140 |
| • Additional Port Tax | -- two fees totalling 3% of c.i.f. value |
| • Merchant Marine Renewal Tax | -- 25% of ocean freight charge (sea imports only) |

Source: *Customs Guide to The Americas, Brazil, 1997*

In addition, two government taxes may be applied:

1) The Industrial Products Tax (IPI) is a federal tax levied on both imported and domestic products. The tax is assessed at the point of customs clearance for imports. The value of the tax is based on the c.i.f. value of the products, plus duties. As a guideline, products that incur a low import tariff generally pay a low IPI, and vice versa.

2) The Merchandise Circulation Tax (ICMS) is a state government value-added tax that is applicable to both imports and domestic products. The value of the tax varies from state to state, but averages 17%. The ICMS on imports is assessed *ad valorem* on the c.i.f. value, duties, and IPI. The cost of this tax is generally passed on to the buyer in the price paid for the product.

Current information concerning tariff duties and rates can be obtained by contacting:

Tariffs and Market Access Division (EAT)
Department of Foreign Affairs and International Trade
Tel: (613) 944-5070 / 944-1569
Fax: (613) 992-6002

In May 1994, Brazil created four free trade zones, all located in northern Brazil, to encourage trade in the north: Manaus, in the state of Amazonas; Macapá/Santana in the state of Amapá; Tabatinga, in the state of Amazonas, on the border with Peru; and Guajará-Mirim, in the state of Rondônia, on the border with Bolivia. Of these, the most developed is the Manaus Free Trade Zone, which offers special incentives to encourage industrial, commercial, and agricultural development in the heart of the Amazon. So far, the venture has been successful, warranting an extension of the incentives to 2013. Goods entering these ports are not subject to custom duties or to federal, state, or local import taxes.

Regulations governing inter-state trade vary from state to state. These regulations can restrict the movement of goods between Brazil's various states. For specific information on state restrictions and rules, contact the Canadian Embassy in Brasilia.

Local Standards, Certificates, and Regulations

Health, Phytosanitary and Food Safety: For the import of agri-food products, Brazilian authorities currently require a health and sanitary Product Certificate issued by Agriculture Canada and duly stamped by a Brazilian Consulate (Montreal or Toronto) in Canada. At the time of printing, the Brazilian government has informed the Canadian Embassy in Brazil that it has eliminated the requirement for consularization of Canadian sanitary certificates. Pending official notification, the Canadian Embassy in Brazil will be able to officially advise Canadian exporters according to the new regulations. For verification, Canadian exporters are encouraged to contact the Brazilian Consulate in Montreal or Toronto.

In January 1999, a new food safety inspection agency, the National Agency for Sanitary Surveillance (ANVS), was created to be the scientific regulatory agency responsible for the safety of all foods (except those such as meat, poultry, dairy, fisheries, alcoholic beverages, feed, and veterinary products, which fall under the Ministry of Agriculture), and other consumer products. The ANVS reports to the Ministry of Health, and includes five departments, including the Department of Food and Toxicology (concerned with food production) and the Department of Ports, Airports, and Borders (which covers food imports and exports). Imported food products must be registered with the ANSV before they enter the country.

The Brazilian Ministry of Health has established standards for light and diet foods. Light products must have at least a 25% reduction in calories from the original product, and diet products will be limited to products for people with diabetes.

Registration at Brazilian National Health Agency: The Brazilian National Health Agency has introduced changes to the legislation. As of 1 March 2000, imported food products will require registration, which must be in conformity with Ordinance SVS 120/99. Raw materials and natural food items are exempt from this requirement. For a copy of the legislation in English or French, please contact the Canadian Embassy in Brazil.

Packaging and Labelling: Shipping marks, port of destination, and package number must be prominently shown on the shipping case and positioned so as to avoid being covered by any later strapping. Markings of any other kind should be in a less prominent location and should be limited to essential data. Any identifying marks used on the bill of lading should also appear on the shipping case.

Labelling for snack food products need not be approved by the Health Ministry but must conform to Ordinance 42/98 issued by the Brazilian Health Ministry. For a copy of the legislation in English or French, please contact the Canadian Embassy in Brazil.

Retail Packaging: Brazilian consumers enjoy the attractive modern packaging of imported goods that domestic products have yet to provide. Under the Brazilian Consumer Protection Code, all product labelling must include the following:

- quality;
- quantity;
- composition;
- origin (to include name/address/phone of the producer); and
- risks to consumer health and safety.
- price;
- guarantee;
- shelf life;

All information must be clear, precise, easy to read, and translated into Portuguese. If the package is not printed in Portuguese, a label with the required information in Portuguese must be glued to the package.

Documentation

Import Permit: The import permit is the most important document required for exporting to Brazil. To acquire an import permit, an application must be made to the Foreign Trade Department of the Bank of Brazil (DECEX).

There is a new automated system for obtaining import licences, called SISCOMEX. All applications for licences are now processed on-line for a fee of R\$30 (\$25.81 in 1999) per import statement, and R\$10 (\$8.61) per product added to the statement. For information on how to apply on-line, contact one of the Canadian consulates in Brazil or the Brazilian Secretariat of Foreign Trade (SECEX).

The issued permit will state that it is valid for 90 days, the maximum time for embarkation of goods, or in certain cases, for registering the Import Declaration. Exporters requiring an extension because of special operations or predefined exceptions should direct their petition to the Secretariat of Foreign Trade (SECEX).

Commercial Invoice: The invoice should be prepared by the manufacturer or the seller in the country of origin, and should provide the following: full address of the shipper, seller, and of the consignee; import permit number and other reference numbers; date of order; shipping date; delivery and payment terms; and complete description of the merchandise and markings.

Pro-forma Invoice: Exporters require this invoice in order to apply for an import permit, and the original should be notarized. The invoice must include a full description of goods, including:

- name and address of manufacturer or exporter;
- signed verification that product prices are current export market price for export to any country;
- if applicable, name and address of agent, distributor, representative, or concessionaire in Brazil, and statement of commission due;
- unit price, total cost, freight, insurance and other charges;
- if applicable, statement that published catalogues or price lists do not exist for the invoiced products.

Bill of Lading: The bill of lading should be nonnegotiable, numbered, and dated. A copy should be attached to each commercial invoice. The bill must also display the import licence number and expiration date, as well as the freight charges in both numbers and words.

Special Documentation: Various special documents are required for the importation of specific products. Exporters are encouraged to consult with local agents to ensure that the documentary needs for their products are met.

All documents must accompany the product when it enters customs and must be accurately completed to avoid long delays and/or fines. According to Brazil's Basic Import Regulations, the fines in Brazil can be very heavy; for example, importing without an import permit can result in fines ranging from 20% to 100% of the c.i.f. value of the products.

Authentication of documents: Documents requiring authentication, such as certificates of sale and letters authorizing an exporter's local agent or importer to act on their behalf, must first be notarized in Canada. The notarized documents can then be authenticated, free of charge, by sending them to:

Department of Foreign Affairs and International Trade
Authentication and Service of Documents (JLAC)
125 Sussex Dr.
Ottawa, ON K1A 0G2
Tel: (613) 992-6602
Fax: (613) 992-2467

Export Credit Risks, Restrictions on Letters of Credit, or Currency Controls

On March 17, 1999, the Brazilian Central Bank announced its decision to lift restrictions on import financing that were introduced in 1997. Short-term financing is now allowed. The decision was made because of the scarcity of credit lines exceeding one year and with the aim of reducing the pressure exerted by imports on the demand for U.S. dollars and on the exchange rate. For more detailed information, please contact the Canadian Embassy in Brasilia.

PROMOTIONAL EVENTS

| Event/Description | Organizer/Contact |
|--|---|
| Gas & Shop November 23-26, 1999 November 2000 (TBC) São Paulo, SP Brazil Aimed at suppliers of food to convenience stores, such as snacks, beer, confectionary, biscuits and frozen products. | Miller Freeman do Brasil Ltda. Rua Vanderlei 848 Cep: 05011-001 São Paulo, SP Brazil Tel: (55-11) 3873-0081 Fax: (55-11) 3873-1912 E-mail: cgodoy@mfr.com Internet: www.mfr.com Contact: Claudia Godoy |
| ABIA Food Service 2000 February 8-11, 2000 São Paulo, SP Brazil International trade show for food industry; cafeterias, restaurants, hotels, convenience stores, grocery stores. | AMM Feiras & Negócios Av. Nove de Julho 5966 cj.31 Cep: 01406-200 São Paulo, SP Brazil Tel: (55-11) 3063-3205 Fax: (55-11) 3068-9472 E-mail: amm@mtcnet.com.br Contact: Ana Passoni |
| Sweet Brazil April 2000 (TBC) São Paulo, SP Brazil International show for chocolate, candies, confectionery and related products. | Franca Feiras Empreendimentos Alameda Mamoré 503 1 st floor Cep: 06454-040 - Alphaville São Paulo, SP Brazil Tel: (55-11) 7291-8188 Fax: (55-11) 7291-0200 E-mail: feiras@franca.com.br Internet: www.franca.com.br Contact: Cintia Dias |
| FISPAL June 13-16, 2000 São Paulo, SP Brazil International, open to traders only. The major products exhibited are food and beverages, raw material packaging, equipment and services. | Brasil Rio Promoções Empreendimentos Rua Ministro Nelson Hungria 239 cj04 Cep: 05690-060 - Real Parque São Paulo, SP Brazil Tel: (55-11) 3758-0996 Fax: (55-11) 3758-0165 Internet: www.grupobrasilrio.com.br Contact: Ligia Castro |

| Event/Description | Organizer/Contact |
|---|---|
| Tecno Alimentaria Latin America - 2 nd Tecno Bebida - 5 th Food Ingredients Brazil August 2-4, 2000 São Paulo, SP Brazil | Miller Freeman do Brasil Ltda. Rua Vanderlei 848 Cep: 05011-001 São Paulo, SP Brazil Tel: (55-11) 3873-0081 Fax: (55-11) 3873-1912 E-mail: cgodoy@mfb.com Internet: www.mfb.com Contact: Claudia Godoy |
| Trade shows for the food and beverage industry aimed at suppliers of machinery, equipment, services, packaging and raw material (for Tecno Bebida) and food ingredients, flavourings, colourings and preserving devices (for Food Ingredients Brazil) | |
| EQUIPOTEL August 2000 (TBC) São Paulo, SP Brazil | Equipotel Feiras, Edições e Promoções Ltda. Rua Afonso Celso 797 Cep: 04119-060 São Paulo, SP Brazil Tel: (55-11) 574-5166 Fax: (55-11) 574-5043 Contact: Fernanda Secco |
| International trade show for suppliers of machinery, products and services to restaurants, fast food chains and hotels. | |
| ABRAS September 2000 (TBC) Rio de Janeiro, RJ Brazil | ABRAS Av. Diógenes Ribeiro de Lima 2872 Cep: 05083-901 - Alto da Lapa São Paulo, SP Brazil Tel: (55-11) 838-4500 Fax: (55-11) 837-9933 Contact: Claudio Guidini |
| Food showcase targeting agri-food manufacturers and retailers. Largest show in the sector in Brazil. Organized by the Brazilian Supermarkets Association. | |

KEY CONTACTS AND SUPPORT SERVICES

Canadian Government Contacts

Canadian Embassy

SES Av. das Nações, Lote 16
70410-900 Brasília, DF, Brazil
Tel: (55-61) 321-2171
Fax: (55-61) 321-4529
Contact: David Weiner
First Secretary (Commercial/Economic)
E-mail: david.weiner@dfait-maeci.gc.ca

Canadian Consulate General, Rio de Janeiro

Rua Lauro Muller 116, Rm 2707
Torre Rio Sul-Botafogo, 22290-116
Rio de Janeiro, RJ Brazil
Tel: (55-21) 542-7593 / 275-2039
Fax: (55-21) 275-2195

Canadian Consulate General, São Paulo

Edifício Top Center
Avenida Paulista 854, 5 Andar
01310-913 São Paulo, SP Brazil
Tel: (55-11) 253-4944
Fax: (55-11) 3171-0058
Contact: Claude N. Fontaine, Senior Trade
Commissioner
E-mail: infocentre-spalo@dfait-maeci.gc.ca

Department of Foreign Affairs and International Trade

Market Support Division (TCM)
125 Sussex Dr.
Ottawa, ON K1A 0G2
Contact: Robert Lazariuk
Tel: (613) 995-1773
Fax: (613) 944-0050

Department of Foreign Affairs and International Trade

South American and Inter-American Division
(LSR)
125 Sussex Dr.
Ottawa, ON K1A 0G2
Tel: (613) 996-3026
Fax: (613) 944-0470

Agriculture and Agri-Food Canada

Sir John Carling Building
930 Carling Ave.
Ottawa, ON K1A 0C5
Tel: (613) 759-7753
Fax: (613) 759-7505
Contact: Marcello di Franco, Senior International
Market Development Officer
E-mail: difrancom@em.agr.ca

Canadian Commercial Corporation

Metropolitan Centre
50 O'Connor St., 11th Floor
Ottawa, ON K1A 0S6
Tel: 1-800-748-8191 / (613) 996-0034
Fax: (613) 995-2121
E-mail: info@ccc.ca
Internet: <http://www.ccc.ca>

Export Development Corporation

151 O'Connor St.
Ottawa, ON K1A 1K3
Tel: (613) 598-2500
Fax: (613) 598-6697
E-mail: export@edc4.edc.ca
Internet: <http://www.edc.ca>

Agriculture and Agri-Food Canada

The Agri-Food Trade Service regional contacts are:

Al McIsaac
St. John's, NF
Tel.: (709) 772-0330
E-mail: mcisaaca@em.agr.ca

Shelley Manning
Halifax, NS
Tel.: (902) 426-2137
E-mail: mannings@em.agr.ca

Bernard Mallet
Moncton, NB
Tel.: (506) 452-3732
E-mail: malletb@em.agr.ca

Chris Pharo
Charlottetown, PEI
Tel.: (902) 566-7310
E-mail: pharoc@em.agr.ca

Marc Chénier
Montréal, QC
Tel.: (514) 283-3815 (510)
E-mail: chénierm@em.agr.ca

Carol Kerley
Guelph, ON
Tel.: (519) 837-5866
E-mail: kerleyc@em.agr.ca

Fay Abizadeh
Winnipeg, MB
Tel.: (204) 983-8622
E-mail: abizadehf@em.agr.ca

Roy Gordon
Regina, SK
Tel.: (306) 780-7134
E-mail: gordonr@em.agr.ca

Rodney Dlugos
Edmonton, AB
Tel.: (403) 495-5526
E-mail: dlugosr@em.agr.ca

Marg Toronchuk
New Westminster, BC
Tel.: (604) 666-7797
E-mail: toronchukm@em.agr.ca

Brazilian Government Offices in Canada

Brazilian Embassy
450 Wilbrod St.
Ottawa, ON K1N 6M8
Tel: (613) 237-1090
Fax: (613) 237-6144

Brazilian Consulate General, Vancouver
1140 Bender St., Suite 1300
Vancouver, BC V6E 4G1
Tel: (604) 687-4589
Fax: (604) 681-6534
E-mail: cbg@mindlink.net

Brazilian Consulate General, Montreal
2000 Mansfield St.
Montreal, QC H3A 3A5
Tel: (514) 499-0968
Fax: (514) 499-3963
E-mail: consbras@brasil.interax.net

Brazilian Consulate General, Toronto
Trade Commission
77 Bloor St. W., Suite 1109
Toronto, ON M5F 1M2
Tel: (416) 922-2503
Fax: (416) 922-1832
E-mail: cgbrtor@interlog.com

Brazilian Government Offices in Brazil**Foreign Trade and Investment Department (DECEX)**

Av. Nilo Peçanha, 50
32° andar / sala 3216
20044-900 Rio de Janeiro, RJ Brazil
Tel: (55-21) 534-8145
Fax: (55-21) 262-1495

Ministry of Foreign Affairs (MRE)

Trade Promotion Department
Esplanada dos Ministérios
Palácio do Itamaraty - 70170-900
Brasília, DF Brazil
Tel: (55-61) 211-6240
Fax: (55-61) 223-2392

Technical Department of Tariffs (DTT)

Av. Presidente Antonio Carlos, 375
11° andar 20020-010
Rio de Janeiro, RJ Brazil
Tel: (55-21) 240-2548
Fax: (55-21) 240-2857

Secretariat of Foreign Trade (SECEX:

Secretaria de Comércio Exterior)
Department of Operations of Foreign Trade
Paulo Cezar De Freitas Samico, Director
Praça Pio X, 54
4° Andar Sala 402
20091-040 Rio De Janeiro, RJ Brazil
Tel: (55-21) 216-0505 / 263-8796
Fax: (55-21) 216-0563

Chambers of Commerce and Industry Associations**Brazilian Association of Trading Companies (ABECE)**

Rua Da Quitanda, 191 - 6° andar
20091-000 Rio de Janeiro, RJ Brazil
Tel: (55-21) 253-1225
Fax: (55-21) 253-7278

Brazil-Canada Chamber of Commerce

Suite 300, 360 Bay St.
Toronto, ON M5H 2V6
Tel: (416) 364-3555
Fax: (416) 364-3453

Brazilian Foreign Trade Association (AEB)

Av. General Justo, 335/ 4° andar
20021-130 Rio de Janeiro, RJ Brazil
Tel: (55-21) 240-5048
Fax: (55-21) 240-5463

Canadian Council for the Americas

360 Bay St., Suite 300
Toronto, ON M5H 2V6
Tel: (416) 367-4313
Fax: (416) 367-5460

Federation of Foreign Trade Chambers (FCCE)

Av. General Justo, 307/ 6° andar
20021-130
Rio de Janeiro, RJ Brazil
Tel: (55-21) 297-0011
Fax: (55-21) 240-1622

National Confederation of Industry

Rio de Janeiro
Ac. Nilo Peçanha, 50/34° andar
20044-900, Rio de Janeiro, RJ Brazil
Tel: (55-21) 534-8000
Fax: (55-21) 262-1495

Brasília

SBN - Quadra 1 - Bloco C
Ed Roberto Simonsen
70040-903 Brasília, DF Brazil
Tel: (55-61) 321-7788
Fax: (55-61) 224-2292

National Confederation of Commerce

Av. General Justo, 307
20021-000, Rio de Janeiro, RJ Brazil
Tel: (55-21) 297-0011
Fax: (55-21) 240-1622

Canadian Banks in Brazil

Bank of Montreal

(Banco De Montreal S.A.)
AV. Rio Branco 143-18 Andar
20040-006
Rio De Janeiro, RJ 20149 Brazil
Representative: Ely Couto
Tel: (55-21) 271-0428
Fax: (55-21) 242-9543

Royal Bank of Canada

(Banco Royal Do Canada (Brasil) S.A.)
Avenida Paulista 460-16 Andar
0310 São Paulo, SP, Brazil
Representative: C.A. Barbouth
Tel: (55-11) 283-3911
Fax: (55-11) 384-0508

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U.S. Department of Communications, International Trade Administration. *Brazil, Processed Food*, 1996.

OTHER REFERENCE MATERIAL

Print

Team Canada Market Research Centre, *The Biscuit Market in Brazil*, Department of Foreign Affairs and International Trade, August 1999 (Faxlink no. 34939).

Useful Internet Sites

Agri-Food Trade Service: www.atn-riao.agr.ca

Brazil Business Development Program: <http://www.bbd.com.br/>

BrazilTradeNet: www.dpr.mre.gov.br/e/default-e.htm

Canadian Consulate General in São Paulo: www.dfait-maeci.gc.ca/spaulo/in/walt_in.htm

Exhibitions 'Round the World: www.exhibitions-world.com

Governments on the WWW: Brazil: www.gksoft.com/govt/en/br.html

InfoExport: www.infoexport.gc.ca

Inside Brazil: www.amcham.com.br/publicadept/inside/lbhis.htm

International Development Research Centre (IDRC): www.idrc.ca/lacro/investigacion/mercosur.html

Strategis: strategis.lc.gc.ca

Tradeport: www.tradeport.org

Trade Show Central: www.tscentral.com

U.S. Department of Agriculture: www.fas.usda.gov

World Bank: www.worldbank.org

Table 3: Currency Conversion Rates for Canadian dollar, Brazilian real and U.S. Dollar (using average annual rates)

| Source to Target Currency | 1995 | 1996 | 1997 | 1998 | 1999* |
|-----------------------------------|--------|--------|--------|--------|--------|
| Canadian dollar to Brazilian real | 1.2590 | 1.3703 | 1.2797 | 1.2729 | 2.6112 |
| Brazilian real to Canadian dollar | 0.7943 | 0.7298 | 0.7814 | 0.7856 | 0.3830 |
| Canadian dollar to U.S. dollar | 0.7289 | 0.7334 | 0.7224 | 0.6747 | 0.6703 |
| U.S. dollar to Canadian dollar | 1.3724 | 1.3635 | 1.3846 | 1.4837 | 1.4923 |

* based on data from January 1 to July 1, 1999.

Sources: IDD Information Services, *Tradeline*, July, 1999; United States Federal Reserve Bank of St. Louis.